

**Audited Financial Statements**

**Village of Dryden  
Lapeer County, Michigan**

*Year ended February 28, 2005  
with Report of Independent Auditors*

**Village Officials**

President:	Patrick Betcher
Clerk:	Janine Souther
Treasurer:	Janice Kent
Council:	John Kelso Rodger Simpson Stan Roszczewski Jeff Nash Steven Ellis Jim Lukas

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>VILLAGE OF DRYDEN</b>	County <b>LAPEER</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>8/23/05</b>	Date Accountant Report Submitted to State: <b>2/10/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

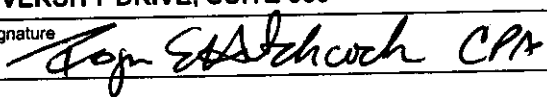
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>ANDREWS HOOPER &amp; PAVLIK, P.L.C.</b>			
Street Address <b>3201 UNIVERSITY DRIVE, SUITE 350</b>	City <b>AUBURN HILLS</b>	State <b>MI</b>	ZIP <b>48326</b>
Accountant Signature 		Date <b>2/10/06</b>	

Village of Dryden

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**ANDREWS HOOPER & PAVLIK P.L.C.**  
Certified Public Accountants

**Independent Auditors' Report**

To the Village Officials  
Village of Dryden  
Dryden, Michigan 48428

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Village of Dryden (the Village), as of and for the year ended February 28, 2005, which collectively comprise the Villages' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of the Village of Dryden, as of February 28, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related statements, as of February 28, 2005.

The Village of Dryden has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Andrews Hooper & Pavlik P.L.C.*

Auburn Hills, Michigan  
August 23, 2005

Village of Dryden  
Statement of Net Assets  
February 28, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and equivalents	\$ 780,918	\$ 273,017	\$ 1,053,935
Accounts receivable		61,801	61,801
Due from other governments	167,319		167,319
Due from other funds	34,162	6,660	40,822
Total current assets	982,399	341,478	1,323,877
Capital assets			
Property, plant and equipment	449,002	4,364,858	4,813,860
Less accumulated depreciation	(211,271)	(1,100,266)	(1,311,537)
Net capital assets	237,731	3,264,592	3,502,323
Other assets			
Deferred charge		39,549	39,549
Total assets	1,220,130	3,645,619	4,865,749
<b>Liabilities</b>			
Current liabilities			
Accounts payable	86,500	1,630	88,130
Accrued expenses	12,448	1,110	13,558
Accrued interest		39,845	39,845
Due to other funds	6,660	34,162	40,822
Deferred income		5,252	5,252
Current portion of long-term liabilities		126,834	126,834
Total current liabilities	105,608	208,833	314,441
Long-term liabilities			
Land contract payable		2,726	2,726
Refunding bonds payable		990,000	990,000
Revolving fund loan payable		746,507	746,507
Total long-term liabilities		1,739,233	1,739,233
Total liabilities	105,608	1,948,066	2,053,674
<b>Net assets</b>			
Invested in capital assets, net of related debt	237,731	1,398,525	1,636,256
Unrestricted	876,791	299,028	1,175,819
Total net assets	\$ 1,114,522	\$ 1,697,553	\$ 2,812,075

See accompanying notes to the financial statements.

Village of Dryden  
Statement of Activities  
Year ended February 28, 2005

			Net (Expense) Revenue and Changes in Net Assets		
			Primary Government		
			Governmental	Business-type	Total
	Expenses	Program Revenues Charges for Services	Activities	Activities	
Functions and programs					
Governmental activities					
Legislative	\$ 11,697		\$ (11,697)		\$ (11,697)
General government	157,612	\$ 17,428	(140,184)		(140,184)
Public safety	185		(185)		(185)
Public works	144,494		(144,494)		(144,494)
Culture and recreation	75		(75)		(75)
Total governmental activities	314,063	17,428	(296,635)		(296,635)
Business-type activities					
Water and sewer	319,663	186,828		\$ (132,835)	(132,835)
Total primary government	<u>\$ 633,726</u>	<u>\$ 204,256</u>	<u>(296,635)</u>	<u>(132,835)</u>	<u>(429,470)</u>
General revenues					
Property taxes			320,997		320,997
State shared revenues			141,459		141,459
Unrestricted investment earnings			8,603	4,032	12,635
Other			11,459	31,271	42,730
Transfers			(25,000)	25,000	
Total general revenues, special item and transfers			<u>457,518</u>	<u>60,303</u>	<u>517,821</u>
Change in net assets			160,883	(72,532)	88,351
Net assets, beginning of year			953,639	1,770,085	2,723,724
Net assets, end of year			<u>\$ 1,114,522</u>	<u>\$ 1,697,553</u>	<u>\$ 2,812,075</u>

See accompanying notes to the financial statements.

Village of Dryden  
Balance Sheet  
Governmental Funds  
February 28, 2005

	General Fund	Major Street Fund	Downtown Development Authority	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 201,712	\$ 119,593	\$ 347,827	\$ 111,786	\$ 780,918
Due from other governments	44,440	31,374	78,050	13,455	167,319
Due from other funds	83,816		51,823		135,639
Total assets	<u>\$ 329,968</u>	<u>\$ 150,967</u>	<u>\$ 477,700</u>	<u>\$ 125,241</u>	<u>\$ 1,083,876</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 81,037	\$ 2,961		\$ 2,502	\$ 86,500
Accrued expenses	11,560	497		391	12,448
Due to other funds	58,483	19,836		29,818	108,137
Total liabilities	<u>151,080</u>	<u>23,294</u>		<u>32,711</u>	<u>207,085</u>
<b>Fund balances</b>					
Unreserved and undesignated	<u>178,888</u>	<u>127,673</u>	<u>\$ 477,700</u>	<u>92,530</u>	<u>876,791</u>
Total fund balances	<u>178,888</u>	<u>127,673</u>	<u>477,700</u>	<u>92,530</u>	<u>876,791</u>
Total liabilities and fund balances	<u>\$ 329,968</u>	<u>\$ 150,967</u>	<u>\$ 477,700</u>	<u>\$ 125,241</u>	<u>\$ 1,083,876</u>

See accompanying notes to the financial statements.

Village of Dryden  
Reconciliation of Fund Balances to the Statement of Net Assets  
Governmental Funds  
Year ended February 28, 2005

<b>Fund Balance - Total Governmental Funds</b>	\$ 876,791
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Amounts reported for governmental activities in the statement of  
net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>237,731</u>
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<b>Net Assets - Governmental Activities</b>	<u><u>\$ 1,114,522</u></u>
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Village of Dryden  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year ended February 28, 2005

	<u>General</u>	<u>Major Street Fund</u>	<u>Downtown Development Authority</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 159,211		\$ 129,874	\$ 31,912	\$ 320,997
Intergovernmental	71,695	\$ 54,843		14,921	141,459
Charges for services	2,160			12,593	14,753
Rental income	2,675				2,675
Interest	1,906	1,218	4,263	1,216	8,603
Other	10,724	735			11,459
Total revenues	<u>248,371</u>	<u>56,796</u>	<u>134,137</u>	<u>60,642</u>	<u>499,946</u>
Expenditures					
Current					
Legislative	11,697				11,697
General government	92,693		19,798	18,513	131,004
Public safety	185				185
Public works	66,205	40,976		37,313	144,494
Culture and recreation	75				75
Capital outlay	80,690		53,270		133,960
Total expenditures	<u>251,545</u>	<u>40,976</u>	<u>73,068</u>	<u>55,826</u>	<u>421,415</u>
Excess of revenues over (under) expenditures	<u>(3,174)</u>	<u>15,820</u>	<u>61,069</u>	<u>4,816</u>	<u>78,531</u>
Other financing sources (uses)					
Transfers out			(25,000)		(25,000)
Total other financing sources (uses)			<u>(25,000)</u>		<u>(25,000)</u>
Changes in fund balances	(3,174)	15,820	36,069	4,816	53,531
Fund balance, beginning of year (restated)	182,062	111,853	441,631	87,714	823,260
Fund balance, end of year	<u>\$ 178,888</u>	<u>\$ 127,673</u>	<u>\$ 477,700</u>	<u>\$ 92,530</u>	<u>\$ 876,791</u>

Village of Dryden  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
Year ended February 28, 2005

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 53,531</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Capital asset purchases capitalized	125,076
Depreciation expense	<u>(17,724)</u>
	<u>107,352</u>

<b>Net Change in Net Assets of Governmental Activities</b>	<b><u>\$ 160,883</u></b>
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Village of Dryden  
Statement of Net Assets  
Proprietary Funds  
February 28, 2005

	<b>Business Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water &amp; Sewer</b>
Assets	
Current assets	
Cash and equivalents	\$ 273,017
Accounts receivable	61,801
Due from other funds	6,660
Total current assets	<u>341,478</u>
Capital assets	
Property, plant and equipment	4,364,858
Less accumulated depreciation	<u>(1,100,266)</u>
Net capital assets	3,264,592
Other assets	
Deferred charge	<u>39,549</u>
Total assets	<u>3,645,619</u>
Liabilities	
Current liabilities	
Accounts payable	1,630
Accrued expenses	1,110
Accrued interest on bonds and capital leases	39,845
Due to other funds	34,162
Deferred income	5,252
Current portion of long-term liabilities	<u>126,834</u>
Total current liabilities	208,833
Long-term liabilities	
Land contract payable	2,726
Refunding bonds payable	990,000
Revolving fund loan payable	<u>746,507</u>
Total long-term liabilities	1,739,233
Total liabilities	<u>1,948,066</u>
Net Assets	
Invested in capital assets, net of related debt	1,398,525
Unrestricted	<u>299,028</u>
Total net assets	<u>\$ 1,697,553</u>

See accompanying notes to the financial statements.

Village of Dryden  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
Year ended February 28, 2005

	<b>Business Type Activities Enterprise Funds</b>
	<b>Water &amp; Sewer</b>
Operating revenues	
Charges for services	\$ 186,828
Tap in fees	1,294
Rental income	28,085
Other income	1,892
Total operating revenues	<u>218,099</u>
Operating expenses	
Personnel services	50,181
Contracted services	52,222
Supplies	8,589
Utilities	6,061
Depreciation	86,420
Amortization of deferred charges	4,229
Benefit payments	16,499
Repair and maintenance	11,987
Other operating expenses	3,360
Total operating expenses	<u>239,548</u>
Operating income (loss)	(21,449)
Non-operating revenues and (expenses)	
Interest income	4,032
Interest expense	(80,115)
Total non-operating revenue and (expenses)	<u>(76,083)</u>
Operating income (loss) before transfers and capital contributions	(97,532)
Transfers	
Transfers in	<u>25,000</u>
Change in net assets	(72,532)
Net assets, beginning	1,770,085
Net assets, ending	<u>\$ 1,697,553</u>

See accompanying notes to the financial statements.

Village of Dryden  
Statement of Cash Flows  
Proprietary Funds  
Year ended February 28, 2005

	<b>Business Type Activities</b>
	<b>Enterprise Funds</b>
	<b>Water &amp; Sewer</b>
Cash flows from operating activities	
Cash received from users	\$ 220,968
Cash paid to employees and vendors	(148,508)
Cash received from other funds	12,853
Net cash flow from operating activities	<u>85,313</u>
Cash flows used by non-capital financing activities	
Transfers in	<u>25,000</u>
Net cash flows from capital financing activities	<u>25,000</u>
Cash flows used by capital and related financing activities	
Payments on long-term debt	(121,444)
Interest paid on long-term debt	<u>(80,115)</u>
Net cash flows used by capital and related financing activities	<u>(201,559)</u>
Cash flows from investing activities	
Interest on investments	<u>4,032</u>
Net cash flows from investing activities	<u>4,032</u>
Decrease in cash and cash equivalents	(87,214)
Cash and cash equivalents, beginning of year	360,231
Cash and cash equivalents, end of year	<u>\$ 273,017</u>
Classified as:	
Current assets	<u>\$ 273,017</u>
Reconciliation of operating loss to net cash flows from operating activities	
Operating income (loss)	\$ (21,449)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation	86,420
Deferred charge amortization	4,229
Decrease in accounts receivable	5,023
Increase in accounts payable	391
Increase in accrued expenses	210
Decrease in accrued interest	(2,364)
Increase in amounts due to other funds	12,853
Net cash flow from operating activities	<u>\$ 85,313</u>

Village of Dryden  
Statement of Fiduciary Net Assets  
February 28, 2005

	<b>Cemetery Perpetual Care Fund</b>
Assets	
Cash and cash equivalents	<u>\$ 71,985</u>
Total assets	<u><u>\$ 71,985</u></u>
 Net assets	
Held in trust for various purposes	<u><u>\$ 71,985</u></u>

Village of Dryden  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Fiduciary Funds  
February 28, 2005

	Cemetery Perpetual Care Fund
Additions	
Lot sales	\$ 4,000
Interest earnings	770
Total operating revenues	<u>4,770</u>
Changes in net assets	4,770
Net assets - beginning of year	<u>67,215</u>
Net assets - end of year	<u><u>\$ 71,985</u></u>

## Village of Dryden

### Notes to the Financial Statements February 28, 2005

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Dryden (the Village) complies with accounting principles generally accepted in the United States of America. The Village's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

##### **Reporting Entity**

The Village of Dryden, Michigan, incorporated in 1884, is governed under the provisions of Act 3 of 1895 of the State of Michigan. The Act provides for the operation of the Village by an elected Village Council consisting of a President, Clerk, Treasurer and six Trustees, and provides services to its approximate 850 residents in many areas including highways and streets, public works, sanitation, cemetery operations, recreation and general administrative services. In evaluating how to define the Village for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, currently GASB Statement #14, *The Financial Reporting Entity*.

Based upon the application of these criteria, the basic financial statements of the Village contain all the funds controlled by the Village's Board of Officials as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Village.

##### **Basis of Presentation**

###### Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the Village, the primary government, as a whole. They include all funds of the reporting entity except for fiduciary funds, which are excluded from government-wide financial statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

In the government-wide statement of net assets, the columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.



## Village of Dryden

### Notes to Financial Statements (continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

In creating the government-wide financial statements the Village has eliminated interfund transactions. This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

#### Fund Financial Statements

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The Village reports the following major governmental funds:

#### Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Village. Revenues are derived primarily from property taxes, state distributions, grants and other governmental revenues.

## Village of Dryden

### Notes to Financial Statements (continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments that are legally or contractually restricted to expenditures for specific purposes. The following funds are included:

- Downtown Development Authority

The Downtown Development Authority is a special revenue fund that is used to record the activity of the downtown district of the Village.

- Major Streets

The Major Streets Fund is a special revenue fund that is used to record the operations and maintenance activity on the major streets of the Village.

- Local Streets

The Local Streets Fund is a special revenue fund that is used to record the operations and maintenance activity on the local streets of the Village.

- Municipal Streets

The Municipal Streets Fund is a special revenue fund that is used to record the operations and maintenance activity on the municipal streets of the Village.

- Cemetery Operating

The Cemetery Operating Fund is a special revenue fund that is used to record the operations of the cemetery of the Village.

- Garbage Collection

The Garbage Collection Fund is a special revenue fund that is used to record the garbage collection activity of the village.

The Village reports the following major proprietary fund:

#### **Proprietary Fund**

Water and Sewer Fund - The Enterprise Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The following fund is included:

- Water and Sewer

## Village of Dryden

### Notes to Financial Statements (continued)

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the Village reports the following fund type:

##### **Fiduciary Funds**

Agency Funds - Agency Funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

The following funds are included:

- Cemetery Perpetual Care

The Cemetery Perpetual Care Fund is used to record the guaranteed maintenance activity on the Village's cemetery.

##### **Measurement Focus and Basis of Accounting**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when susceptible to accrual (i.e. when it is, "measurable and available"). Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures are recorded when the related fund liability is incurred, except interest on long-term debt, which is recorded when paid.

Amounts reported as program revenue include: charges to customers or applicants for goods, services or privileges provided, operating grants, capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

##### **Policies and Practices**

Michigan Compiled Laws, Section 129.91 authorizes the Village to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank, savings and loan association or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Village's deposits and investment policy are in accordance with statutory authority.

# Village of Dryden

## Notes to Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Assets, Liabilities and Fund Equity

Deposits and investments – The Village's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Interfund receivables/payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

During the course of operations numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet.

Accounts receivable – The Village considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Deferred revenue – Deferred revenue represents the unamortized portion of a lump sum, five year lease payment made for the use of certain water system assets.

Capital assets – Capital assets which include property, plant, equipment and infrastructure assets (water and sewer lines and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial cost of more than \$5,000 and an estimated useful life of more than one year. All property and equipment are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated property and equipment are valued at their estimated fair value on the date donated.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-39.5 years
Equipment	3-7 years
Vehicles	5-10 years
Water and sewer systems	50 years

Long-term obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt (reported at face value) and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities or proprietary fund type statement of net assets.

# Village of Dryden

## Notes to Financial Statements (continued)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity classifications – In the government-wide financial statements, equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments or through constitutional provisions or enabling legislation.
- Unrestricted net assets – consists of all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, designations of unreserved fund balances in the governmental funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

#### Use of Estimates

The process of preparing basic financial statements in conformity with accounting principles generally accepted in the United States of America, requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### 2. ACCOUNTING CHANGES

On March 1, 2004, the Village adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 establishes the basic financial statements and required supplementary information for the Village. The information consists of:

- Management’s discussion and analysis
- Government-wide financial statements
- Fund financial statements
- Notes to financial statements
- Required supplemental information

The Village has elected to omit the management’s discussion and analysis for the year ended February 28, 2005 that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The effect of the adoption of GASB Statement No. 34 was to increase net assets by \$237,731.

## Village of Dryden

### Notes to Financial Statements (continued)

#### **3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

##### **Budget Requirements, Accounting and Reporting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General and Special Revenue Funds. All annual appropriations lapse at the fiscal year end. Each fund's appropriated budget is prepared on a detailed line-item basis. The Village does not maintain a formalized encumbrance accounting system.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to February 28, the Budget Committee submits to the Village Board, a proposed operating budget for the fiscal year commencing the following March 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the Village's annual board meeting to obtain taxpayer comments.
3. Prior to March 1, the budget is legally adopted by a Village Board Resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires the budget to be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget or in excess of the amount appropriated. Any expenditure in violation of the budgeting act is disclosed as an unfavorable variance on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (accounting principles generally accepted in the United States of America basis) – General and Special Revenue Funds.
4. The Council is authorized to transfer budgeted amounts between line-items within an activity.
5. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to February 28.
6. Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

##### **Excess of Expenditures Over Appropriations in Budgeted Funds**

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted at the line-item level.

# Village of Dryden

## Notes to Financial Statements (continued)

### 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

During the year ended February 28, 2005, the Village incurred expenditures in excess of the amounts appropriated, as follows:

Fund	Total Appropriations	Amount of Expenditure	Budget Variance
General Fund:			
General government	\$ 81,118	\$ 92,693	\$ 11,575
Capital outlay	5,000	80,690	75,690
Major Street Fund:			
Public works	23,000	40,976	17,976

During the year ended February 28, 2005, the Village did not prepare a budget for the Downtown Development Authority special revenue fund.

#### Deficit Fund Balance

A deficit fund balance of \$3,271 exists in the Cemetery Operating Fund. The deficit results from expenditures over revenues incurred in current year. It is expected that positive operations during the next year will provide a positive fund balance.

### 4. CASH AND INVESTMENTS

#### Deposits and Investments

Cash deposits and cash investments are carried at cost. Deposits of the Village are in the name of the Village Treasurer at one bank.

At February 28, 2005, the book value of the Village's deposits, consisting of interest bearing checking accounts, was \$1,125,920. Of the bank balance, \$100,000 was covered by Federal Depository Insurance and \$1,128,453 was uninsured.

Deposits and investments are categorized into these three categories of credit risk:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized.

	Category			Total Value
	1	2	3	
Cash and equivalents	\$ 100,000	\$ -	\$1,028,453	\$ 1,128,453

# Village of Dryden

## Notes to Financial Statements (continued)

### 5. INTERFUND RECEIVABLES AND PAYABLES

The amount of the interfund receivables and payables is as follows:

Receivable Fund	Payable Fund	Amount
General	Major Street	\$ 19,836
General	Local Street	5,584
General	Cemetery	24,234
General	Water & Sewer	34,162
Water & Sewer	General	6,660
Downtown		
Development Authority	General	51,823
	Total	<u>\$ 142,299</u>

### 6. PROPERTY TAXES

Property taxes are levied and become a lien on each July 1 on the taxable assessed value listed as of the prior July 31 and are due without penalty on or before September 14 for all real and business personal property located in the Village. The taxable value of the certified roll on December 31, 2004, upon which the levy for the 2005 fiscal year was based, was \$21,099,184. Property taxes are recorded as revenue in the fiscal year beginning immediately subsequent to the tax levy date of July 1.

The tax rates assessed for the year ended February 28, 2005 to finance operations and debt was 10.0021 per \$1,000 valuation.



# Village of Dryden

## Notes to Financial Statements (continued)

### 7. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity of the Village's governmental activities for the year ended February 28, 2005 was as follows:

	March 1, 2004	Additions	Disposals and Adjustments	February 28, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 750	\$ 58,386	\$ 15,250	\$ 74,386
Capital assets being depreciated:				
Buildings	137,178		(1,500)	135,678
Equipment	167,023	66,690	(50,071)	183,642
Vehicles	85,470		(30,174)	55,296
Subtotal	<u>389,671</u>	<u>66,690</u>	<u>(81,745)</u>	<u>374,616</u>
Less accumulated depreciation:				
Buildings	67,488	3,435		70,923
Equipment	90,464	6,409		96,873
Vehicles	35,595	7,880		43,475
Subtotal	<u>193,547</u>	<u>17,724</u>		<u>211,271</u>
Net capital assets being depreciated	<u>196,124</u>	<u>48,966</u>	<u>(81,745)</u>	<u>163,345</u>
Governmental activities capital assets – net	<u>\$ 196,874</u>	<u>\$ 107,352</u>	<u>\$ (66,495)</u>	<u>\$ 237,731</u>
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 16,700			\$ 16,700
Capital assets being depreciated:				
Sewer system	2,667,818			2,667,818
Water system	1,653,195			1,653,195
Buildings	11,795			11,795
Equipment	15,350			15,350
Subtotal	<u>4,348,158</u>			<u>4,348,158</u>
Less accumulated depreciation:				
Sewer system	681,905	\$ 53,356		735,261
Water system	304,796	33,064		337,860
Buildings	11,795			11,795
Equipment	15,350			15,350
Subtotal	<u>1,013,846</u>	<u>86,420</u>		<u>1,100,266</u>
Net capital assets being depreciated	<u>3,334,312</u>	<u>(86,420)</u>		<u>3,247,892</u>
Business type activities capital assets – net	<u>\$ 3,351,012</u>	<u>\$ (86,420)</u>	<u>\$ -</u>	<u>\$ 3,264,592</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
Governmental activities	\$ 17,724
Business type activities	86,420
Total all activities	<u>\$ 104,144</u>

# Village of Dryden

## Notes to Financial Statements (continued)

### 8. LONG-TERM DEBT

#### Business Type Activities

At February 28, 2005, outstanding debt consisted of the following:

County of Lapeer Waste Water Treatment System Refunding Bonds – Village of Dryden (Limited Tax General Obligation) dated March 1, 1996 for the advanced refunding of the Lapeer County Waste Treatment System Bonds, which were dated March 1, 1990. The debt is secured by a pledge of the Village's limited tax full faith and credit. Due in installments April 1, 1997 through April 1, 2014 with interest at 4.1% to 5.95%. \$ 1,070,000

Land contract executed during September 1997 with Dryden Community Schools to purchase land for the construction of a new water well. Imputed interest at 7% with quarterly payments equal to one-half of the water charge for an existing school building within the Village of Dryden. 4,560

Michigan Drinking Water Revolving Fund Loan dated September 29, 1998 for the purpose of defraying part of the cost of constructing drinking water system improvements with the Village of Dryden. The debt is secured by a pledge of the Village's limited tax full faith and credit. Due in annual installments April 1, 2000 through April 1, 2019 with interest at 2.5%. 791,507

Total long-term debt \$ 1,866,067

The following is a summary of the changes in long-term debt for the year ended February 28, 2005:

#### Business type Activities:

	Balance March 1, 2004	Increases	Decreases	Balance February 28, 2005
County of Lapeer Waste Water Treatment System Refunding Bonds	\$ 1,145,000		\$ 75,000	\$ 1,070,000
Land contract	6,004		1,444	4,560
Michigan Drinking Water Revolving Fund Loan	836,507		45,000	791,507
	<u>\$ 1,987,511</u>	<u>\$ -</u>	<u>\$ 121,444</u>	<u>\$ 1,866,067</u>
Less current portion				126,834
Total long-term debt, net of current portion				<u>\$ 1,739,233</u>

Interest expense for the year ended February 28, 2005 was \$80,115 from all activities.

# Village of Dryden

## Notes to Financial Statements (continued)

### 8. LONG-TERM DEBT (continued)

#### Debt Service Requirements

##### Business type Activities

Debt service requirements - The annual principal and interest requirements through maturity for all debts outstanding as of February 28, 2005:

Fiscal Year Ending	Principal	Interest	Total
2006	\$ 126,834	\$ 74,804	\$ 201,638
2007	136,966	68,958	205,924
2008	135,759	63,000	198,759
2009	140,000	56,745	196,745
2010	145,000	50,070	195,070
2011	160,000	42,605	202,605
2012	165,000	34,743	199,743
2013	175,000	26,180	201,180
2014	185,000	17,070	202,070
2015	190,000	7,663	197,663
2016	55,000	6,288	61,288
2017	60,000	4,788	64,788
2018	65,000	3,163	68,163
2019	65,000	1,538	66,538
2020	61,508	-	61,508
	<u>\$1,866,067</u>	<u>\$ 457,615</u>	<u>\$ 2,323,682</u>

### 9. RETIREMENT PLAN

The Village of Dryden participates in the Michigan Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system.

The plan covers substantially all eligible full-time employees of the Village. The membership at February 28, 2005, was composed of three active participants and one inactive vested member. In general, all employees are eligible for normal retirement as follows:

- Age 60 with 10 or more years of service
- Age 55 with 15 or more years of service – at reduced benefits
- Age 50 with 25 or more years of service – at reduced benefits

Under the plan there is no mandatory retirement age. Normal retirement benefits are based on 2% of the Final Average Compensation (FAC) multiplied by years of credited service. The retirement allowance is reduced 1/2% of 1% for each complete month that retirement precedes the age at which full normal retirement benefits are available.

## Village of Dryden

### Notes to Financial Statements (continued)

#### 9. RETIREMENT PLAN (continued)

In addition to the normal retirement provisions, the plan allows for the following retirement provisions at normal or reduced benefits:

- Deferred retirement – any age with 10 or more years of service.
- Disability retirement allowance – any age with 10 or more years of service. The service requirement is waived if the disability is from service-connected causes.
- Non-duty death allowance – any age with 10 or more years of service before retirement, a monthly survivor allowance may be payable.
- Duty connected death – no age or service requirements.

The plan elected by the Board requires a member contribution of 4% of employees' annual compensation. If a member leaves the employment of the Village or dies without a retirement allowance or other benefits payable on his/her account, his/her accumulated contributions, if any, will be refunded to him/her, if living, or to his/her designated beneficiary.

#### Funding Status and Progress

The amount shown in the following table as the "actuarial accrued liability" is a standardized disclosure measurement of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measurement is the actuarial present value of credited projected benefits and is intended to (i) help users assess the plan's funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due, and (iii) allow for comparisons among public employee retirement plans. The measurement is independent of the actuarial funding method used to determine contributions to the plan.

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the pension benefit obligation include a rate of return on the investment of present and future assets of 8.0% per year compounded annually, projected salary increase of 4.5% per year compounded annually and 4.5% attributable to inflation.

# Village of Dryden

## Notes to Financial Statements (continued)

### 9. RETIREMENT PLAN (continued)

At December 31, 2004, the unfunded (over-funded) actuarial accrued liability was \$(38,427), as determined in the following table:

Actuarial accrued liability:

Retirees and beneficiaries currently receiving benefits	\$ 190,190
Terminated employees not yet receiving benefits	35,683
Current employees	
Accumulated employee contributions including allocated investment income	9,720
Employer financed	<u>34,066</u>
Total actuarial accrued liability	269,659
Net assets available for benefits at actuarial value (at market - \$300,729)	<u>308,086</u>
Unfunded (over-funded) actuarial accrued liability	<u>\$ ( 38,427)</u>

During the year ended December 31, 2004, the plan experienced a net change of \$8,661 in the over-funded actuarial accrued liability. There were no changes in actuarial assumptions during the year. The change in the actuarial accrued liability resulting from benefit changes, if any, has not been computed.

#### Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2003 were determined using an entry age normal funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

The Village's contribution is based on the annual actuarial valuation. During the year ended February 28, 2005 the Village made no contributions and participants made contributions of \$751 to the plan.

In accordance with Statement 27 of the Governmental Accounting Standards Board, for the fiscal year beginning April 1, 2006 the annual required contribution is \$2,532 using an amortization factor of 0.119963 for over-funded liabilities.

# Village of Dryden

## Notes to Financial Statements (continued)

### 9. RETIREMENT PLAN (continued)

#### Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the Village of Dryden is as follows:

#### Analysis of Retirement System Assets and Accrued Liability

		Net Assets					Unfunded	
		Available		Unfunded			AAL as a	Employer
		For Benefits	Actuarial	(Over-funded)		Annual	Percent of	Contributions
	Active	At Actuarial	Accrued	Actuarial	Percent	Covered	Covered	as a Percent
Year	Members	Value	Liability	Liability	Funded	Payroll	Payroll	of Payroll
1994	2	\$ 137,989	\$154,079	\$ 16,090	90	\$ 52,681	31	7.36
1995	2	152,619	162,176	9,557	94	54,094	19	6.72
1996	2	171,418	171,536	118	100	55,618	-	5.78
1997	3	191,134	193,857	2,723	99	69,094	4	5.34
1998	2	217,074	194,293	(22,781)	112	62,168	-	3.33
1999	2	251,811	200,756	(51,055)	125	65,234	-	1.06
2000	2	279,018	200,966	(78,052)	139	69,725	-	(2.49)
2001	2	304,068	217,801	(86,267)	140	72,378	-	-
2002	1	302,203	246,603	(55,600)	123	36,760	-	-
2003	1	305,942	258,854	(47,088)	118	45,735	-	-
2004	3	308,086	269,659	(38,427)	114	76,721	-	-

Total retired life liabilities are reflected above. Actuarial assumptions were revised for the 1993, 1997, 2000 and 2004 valuations. Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of actuarial accrued liability provides one indication of the plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation.

### 10. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Village carries commercial insurance for risks to cover these losses. The Village also continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

### 11. CONTINGENCIES

The Village is involved in various legal actions arising in the normal course of business. In the opinion of the Village Board, such matters will not have a material effect upon the financial position of the Village.

### 12. PRIOR PERIOD ADJUSTMENT

# Village of Dryden

## Notes to Financial Statements (continued)

Certain errors, resulting in the overstatement of previously reported receivables and the understatement of reported payables for February 29, 2004 were corrected this year, resulting in the following changes to fund balance as follows:

Net assets at February 29, 2004 as previously stated	\$	262,528
Overstated due from other governments		(30,541)
Understated due to other funds		<u>(49,925)</u>
Net assets at February 29, 2004 as restated	\$	<u>182,062</u>

## Required Supplemental Information



Village of Dryden  
Required Supplemental Information  
Budgetary Comparison Schedule - General and Special Revenue Fund Types  
Year ended February 28, 2005

	General Fund				Major Street Fund			
	Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues								
Property taxes	\$ 150,000	\$ 150,000	\$ 159,211	\$ 9,211				
Licenses and permits	2,750	2,750		(2,750)				
Intergovernmental	75,000	75,000	71,695	(3,305)	\$ 31,000	\$ 31,000	\$ 54,843	23,843
Charges for services	2,600	2,600	2,160	(440)				
Rental income	1,500	1,500	2,675	1,175				
Interest	1,500	1,500	1,906	406	1,500	1,500	1,218	(282)
Other	7,500	7,500	10,724	3,224	700	700	735	35
Total revenues	<u>240,850</u>	<u>240,850</u>	<u>248,371</u>	<u>7,521</u>	<u>33,200</u>	<u>33,200</u>	<u>56,796</u>	<u>23,596</u>
Expenditures								
Legislative	12,600	12,600	11,697	(903)				
General government	80,518	81,118	92,693	11,575				
Public safety	1,000	1,000	185	(815)				
Public works	80,000	80,000	66,205	(13,795)	23,000	23,000	40,976	17,976
Parks & recreation	2,000	2,000	75	(1,925)				
Capital outlay	5,000	5,000	80,690	75,690				
Transfer to Water & Sewer fund	50,000	50,000		(50,000)				
Transfer to Cemetery fund	5,000	5,000		(5,000)				
Total expenditures	<u>236,118</u>	<u>236,718</u>	<u>251,545</u>	<u>14,827</u>	<u>23,000</u>	<u>23,000</u>	<u>40,976</u>	<u>17,976</u>
Excess of revenues over expenditures	4,732	4,132	(3,174)	(7,306)	10,200	10,200	15,820	5,620
Fund balance, beginning of year	<u>182,062</u>	<u>182,062</u>	<u>182,062</u>		<u>111,853</u>	<u>111,853</u>	<u>111,853</u>	
Fund balance, end of year	<u>\$ 186,794</u>	<u>\$ 186,194</u>	<u>\$ 178,888</u>	<u>\$ (7,306)</u>	<u>\$ 122,053</u>	<u>\$ 122,053</u>	<u>\$ 127,673</u>	<u>\$ 5,620</u>

## Other Supplemental Information

Village of Dryden  
Combining Balance Sheet  
Nonmajor Governmental Funds  
February 28, 2005

	Special Revenue				Total
	Local Street	Municipal Street	Cemetery Operating	Garbage Collection	Nonmajor Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 40,222	\$ 33,496	\$ 21,005	\$ 17,063	\$ 111,786
Accounts receivable					
Due from other governments	8,201			5,254	13,455
Due from other funds					
Prepaid expenses					
Total assets	<u>\$ 48,423</u>	<u>\$ 33,496</u>	<u>\$ 21,005</u>	<u>\$ 22,317</u>	<u>\$ 125,241</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable			\$ 14	\$ 2,488	\$ 2,502
Accrued expenses	\$ 363		28		391
Due to other funds	5,584		24,234		29,813
Total liabilities	<u>5,947</u>	<u>-</u>	<u>24,276</u>	<u>2,488</u>	<u>32,711</u>
<b>Fund balances</b>					
Unreserved and undesignated	42,476	\$ 33,496	(3,271)	19,829	92,530
Total fund balances	<u>42,476</u>	<u>33,496</u>	<u>(3,271)</u>	<u>19,829</u>	<u>92,530</u>
Total liabilities and fund balances	<u>\$ 48,423</u>	<u>\$ 33,496</u>	<u>\$ 21,005</u>	<u>\$ 22,317</u>	<u>\$ 125,241</u>

Village of Dryden  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year ended February 28, 2005

	Special Revenue				Total Nonmajor Funds
	Local Street	Municipal Street	Cemetery Operating	Garbage Collection	
Revenues					
Property taxes				\$ 31,912	\$ 31,912
Licenses and permits					
Intergovernmental	\$ 14,921				14,921
Charges for services	900		\$ 11,693		12,593
Rental income					
Interest	385	\$ 376	252	203	1,216
Other					
Total revenues	<u>16,206</u>	<u>376</u>	<u>11,945</u>	<u>32,115</u>	<u>60,642</u>
Expenditures					
Current					
Legislative					
General government			18,513		18,513
Public safety					
Public works	6,435	1,354		29,524	37,313
Culture and recreation					
Capital outlay					
Total expenditures	<u>6,435</u>	<u>1,354</u>	<u>18,513</u>	<u>29,524</u>	<u>55,826</u>
Excess of revenues over expenditures and net change in fund balances	9,771	(978)	(6,568)	2,591	4,816
Fund balance, beginning of year	32,705	34,474	3,297	17,238	87,714
Fund balance, end of year	<u>\$ 42,476</u>	<u>\$ 33,496</u>	<u>\$ (3,271)</u>	<u>\$ 19,829</u>	<u>\$ 92,530</u>

**VILLAGE OF DRYDEN**  
**REPORT TO THE VILLAGE COUNCIL**  
**August 23, 2005**

**Andrews Hooper & Pavlik P.L.C.**  
**Certified Public Accountants**  
**3201 University Drive, Suite 350**  
**Auburn Hills, Michigan 48326**



**ANDREWS HOOPER & PAVLIK P.L.C.**  
Certified Public Accountants

Village Council  
Village of Dryden  
Dryden, Michigan 48074

In planning and performing our audit of the financial statements of the Village of Dryden for the year ended February 28, 2005, we considered the entity's internal control to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration. This letter does not affect our report dated August 23, 2005, on the financial statements of Village of Dryden. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal controls or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

**CASH ALLOCATIONS**

We noted during our audit that cash was not properly allocated among the funds during the year. This is a result of the Village having only one bank account for all funds.

We recommend the Village allocate cash among the funds on a monthly basis. As an alternative, the Village could obtain a separate bank account for each fund and separately record the cash activity for each fund on a monthly basis.

**EXPENSE ALLOCATIONS**

We noted during our audit that hospitalization and retirement expenses were not properly allocated among the funds during the year.

We recommend the Village allocate hospitalization, retirement and other employee related expenses, such as workers' compensation insurance, among the funds based upon the same method used to allocate payroll expenses.

**GENERAL LEDGER**

We noted the general ledger is not reviewed by the Village on a regular basis.

We recommend that a general ledger be obtained from the third party accounting agency on a monthly basis and be reviewed by the Village. This would assist the Village in determining the status of the financial activity for all funds on a regular basis.

The above comments represent our observations during the course of the audit and are intended to be constructive suggestions for improvement. We would be pleased to discuss these comments with you at greater length and to assist you with any other needs, should you so desire.

Once again, we would like to thank the Treasurer and the accounting department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Trustees, management and others within the Village and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Andrews Hoope & Pavlik P.L.C.*